

\*\*\*TESTIMONY IS EMBARGOED UNTIL 9:00 AM  
THURSDAY, MARCH 29, 2012\*\*\*

Mr. Chairman, Members of the Committee,

It is an honor to appear before you today to discuss the implications of the Affordable Care Act on small and large employers. Although my remarks represent the views of Georgetown Cupcake and its owners, and should therefore not be misinterpreted as the views of the business community as a whole, my hope is that they will provide some insight into how some businesses think about health benefits as a component of employee compensation.

Georgetown Cupcake was founded by my wife, Sophie, and her sister, Katherine, over four years ago, and first opened its doors to the public on Valentine's Day 2008. Over the course of the past four years, and during the most challenging economic climate of our generation, Georgetown Cupcake has grown from one location, to now three retail locations including our flagship in Georgetown, a second location in Bethesda, MD, and most recently a third location in the SoHo neighborhood of New York City. In addition, we launched our nationwide shipping operation in 2010 and new locations are planned in Boston and Los Angeles in the spring and fall of 2012. During this time, we have also grown from a staff of two, to a staff of now well over 350 employees, including over 100 full time employees. We have experienced every stage in the maturation process of a business, from being a start-up, to a small business, to now a growing business that continues to evolve and innovate.

As business owners, we strive to be a world-class employer. In a highly competitive environment, it is therefore necessary to offer a well-rounded compensation package that includes competitive wages and salaries, paid vacation and sick leave, opportunities for merit-based bonuses and promotions, an organizational culture based on positive values, and affordable health insurance coverage. We believe that affordable health insurance is a NECESSARY component of a well-rounded compensation package; not only does it enable us to attract and retain the best employees; not only does it help us to remain competitive, but also it is the right thing to do.

Georgetown Cupcake offers its full time employees a menu of coverage options through a major national insurance provider and pays 75% of the monthly premiums. Nearly all of our full time employees have enrolled in Georgetown Cupcake's plan or are covered by the plans of their spouses or parents. Of the employees who have enrolled in Georgetown Cupcake's plan, nearly all have chosen coverage that features, for in-network services, a zero deductible; free well-child care, physical examinations, mammograms, and cancer screenings; low co-pays for doctor's visits; free emergency care and inpatient hospital services; and no maximum lifetime benefit. Vision benefits are also available. We are proud to be able to extend such comprehensive benefits to our employees, and as a result many of our full-time employees have been with the company for several years.

Under certain provisions of the Affordable Care Act that come into effect in 2014, large employers, defined as those with more than 50 full time and full time equivalent employees, face potential penalties if they fail to provide affordable health insurance coverage to full time staff. Some studies assert that large employers will elect to drop health insurance coverage altogether because, in certain cases, the cost of the penalties may be less than the cost of providing insurance. These studies make over-simplified assumptions about the decision making processes of small and large businesses. In the case of Georgetown Cupcake, we will continue to provide an option for our employees to obtain access to affordable, high quality care, even if it results in modest additional cost.

The true impact of the Affordable Care Act on total enrollment in employer-sponsored health insurance plans is, at best, uncertain. We applaud the intent of the legislation, to reduce the overall number of uninsured Americans and to lower the cost of healthcare without sacrificing quality of care. All of the options on the table are worth considering, including health insurance exchanges designed to help consumers make educated choices about their own coverage. Yet, it is difficult to predict how quickly insurance exchanges will be created, how effectively they will

be administered, how transparent they will be to consumers, and how quickly consumers might transition to them. In theory, if health insurance exchanges can alleviate upward pressure on the cost of insurance premiums while ensuring the same access to care and quality of care, and if employers are allowed to participate, then they would constitute a win-win for all involved. However, businesses will have to wait and see how this and other aspects of the legislation are implemented before being able to fully assess the costs and benefits relative to existing options for employer-sponsored coverage.

In summary, Georgetown Cupcake believes that being a world class employer means providing an option for affordable health insurance. We support the goal of reducing the number of uninsured Americans and believe that employer-sponsored coverage has been, and will continue to be, one important component of a multi-pronged strategy to address the multi-dimensional challenge of expanding coverage while controlling costs. Above all, we believe that most employers, especially Georgetown Cupcake, want to be part of the solution, whatever that may be.

Thank you, and I look forward to your questions.